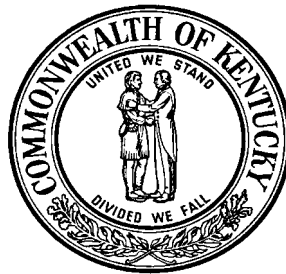


**REPORT OF THE AUDIT OF THE  
WAYNE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2002**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
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**CRIT LUALLLEN**  
**Auditor of Public Accounts**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Bruce Ramsey, Wayne County Judge/Executive  
Honorable James L. Hill, Wayne County Sheriff  
Members of the Wayne County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Wayne County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Wayne County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
WAYNE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2002**

**ROSS & COMPANY, PLLC  
Certified Public Accountants  
800 Envoy Circle  
Louisville, KY 40299  
Telephone (502) 499-9088  
Facsimile (502) 499-9132**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WAYNE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2002**

Ross & Company, PLLC has completed the Wayne County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees decreased by \$4,463 from the prior calendar year, resulting in excess fees of \$14,334 as of December 31, 2002. Revenues increased by \$275 from the prior year and disbursements increased by \$4,738.

#### **Report Comments:**

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$315,202 To Protect Deposits
- Lacks Adequate Segregation Of Duties





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**ROSS & COMPANY, PLLC**  
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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Bruce Ramsey, Wayne County Judge/Executive  
Honorable James L. Hill, Wayne County Sheriff  
Members of the Wayne County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Wayne County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Bruce Ramsey, Wayne County Judge/Executive  
Honorable James L. Hill, Wayne County Sheriff  
Members of the Wayne County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations included herein, which discusses the following report comments:

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$315,202 To Protect Deposits
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -  
December 4, 2003

WAYNE COUNTY  
JAMES L. HILL, COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants		\$	17,602
State - Kentucky Law Enforcement Foundation Program Fund			11,326
State Fees For Services:			
Finance and Administration Cabinet			14,945
Circuit Court Clerk:			
Sheriff Security Service	\$	2,054	
Fines and Fees Collected		<u>3,205</u>	5,259
Fiscal Court			92,688
County Clerk - Delinquent Taxes			1,107
Commission On Taxes Collected			155,807
Fees Collected For Services:			
Auto Inspections	\$	6,710	
Accident and Police Reports		116	
Serving Papers		12,965	
Carrying Concealed Deadly Weapon Permits		<u>4,320</u>	24,111
Other:			
Transporting Mental Patients	\$	9,453	
Fees on Taxes Collected		23,456	
Miscellaneous		<u>809</u>	33,718
Interest Earned			1,103
Borrowed Money:			
State Advancement	\$	50,000	
Bank Note		<u>11,000</u>	<u>61,000</u>
Total Receipts		\$	418,666

The accompanying notes are an integral part of this financial statement.

WAYNE COUNTY  
 JAMES L. HILL, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	175,653	
Part-Time Salaries		18,637	
KLEFPF Salaries		10,675	
Employee Benefits-			
Employer's Share Social Security		678	
Contracted Services-			
Advertising		366	
Materials and Supplies-			
Office Materials and Supplies		3,518	
Uniforms		4,940	
Other Charges-			
Conventions and Travel		2,285	
Dues		429	
Postage		53	
Film and Developing		1,248	
Miscellaneous		1,330	
Telephone and Paging		6,406	
Carrying Concealed Deadly Weapon Permits		3,020	
Auto Expense-			
Gasoline		17,387	
Vehicle Maintenance and Repairs		12,572	
Capital Outlay-			
Office Equipment		1,635	
Vehicles		19,499	\$ 280,331
Debt Service:			
State Advancement	\$	50,000	
Notes		11,000	61,000
Total Disbursements			\$ 341,331

The accompanying notes are an integral part of this financial statement.

WAYNE COUNTY  
 JAMES L. HILL, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Net Receipts		\$	77,335
Less: Statutory Maximum	\$	60,777	
Training Benefit		<u>2,224</u>	<u>63,001</u>
Excess Fees Due County		\$	14,334
Payments to County Treasurer:			
February 11, 2003	\$	14,291	
December 4, 2003		<u>43</u>	<u>14,334</u>
Balance Due at Completion of Audit			<u><u>\$</u></u> <u>0</u>

The accompanying notes are an integral part of this financial statement.

WAYNE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year.



WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2002  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 26, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$315,202 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end or as of November 26, 2002.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	1,501,904
Uncollateralized and uninsured	<u>315,202</u>
Total	<u><u>\$ 1,917,106</u></u>

Note 4. Marijuana Eradication Fund

The Sheriff maintained a Marijuana Eradication Fund during calendar year 2002. The beginning balance as of January 1, 2002 was \$13,831. During calendar year 2002, receipts were \$12,268. Disbursements for the year were \$14,480. Ending balance as of December 31, 2002 was \$11,619.

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## COMMENTS AND RECOMMENDATIONS



WAYNE COUNTY  
JAMES L. HILL, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$315,202 To Protect Deposits

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On November 26, 2003, \$315,202 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Sheriff's Response:*

*None.*

INTERNAL CONTROL:

Lacks Adequate Segregation Of Duties

Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. The Sheriff has assigned one deputy to perform all of the accounting functions of the office. We recommend that the Sheriff periodically review this work in order to create compensating controls to offset this internal control weakness. Examples of compensating controls are: 1) comparing source documents to the receipts and disbursements ledgers and then to the monthly reports; 2) having deposits compared to the receipts ledger; and 3) comparing checks to invoices and claims before they are mailed.

*County Sheriff's Response:*

*None.*

PRIOR YEAR:

The following comment was not corrected.

- The Sheriff Should Have Required The Depository Institutions To Pledge Or Provide Additional Collateral of \$29,298 To Protect Deposits

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
**800 Envoy Circle**  
**Louisville, KY 40299**  
**Telephone (502) 499-9088**  
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To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
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Honorable James L. Hill, Wayne County Sheriff  
Members of the Wayne County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Wayne County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated December 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Wayne County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$315,202 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wayne County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", is written over a horizontal line.

Ross & Company, PLLC

Audit fieldwork completed -  
December 4, 2003

